

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>State of Michigan 35th Judicial District Court</u>	County: Wayne
Audit Date December 31, 2004	Opinion Date April 22, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

**State of Michigan
35th Judicial District Court**

**Financial Report
with Supplemental Information
December 31, 2004**

State of Michigan 35th Judicial District Court

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Independent Auditor's Report

To the Judges
State of Michigan 35th Judicial District Court

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the fiduciary fund information of the State of Michigan 35th Judicial District Court, which collectively comprise the Court's basic financial statements as of and for the year ended December 31, 2004. These financial statements are the responsibility of the State of Michigan 35th Judicial District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the fiduciary fund information of the State of Michigan 35th Judicial District Court, and the respective changes in financial position thereof for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Judges
State of Michigan 35th Judicial District Court

As described in Note I, the Court has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2004. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant funds, as well as in total on the full accrual basis of accounting.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

April 22, 2005

State of Michigan 35th Judicial District Court

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2004

	General Fund - Modified and Full Accrual Basis
Assets	
Cash and cash equivalents (Note 2)	\$ 1,096,574
Due from 35th Judicial District Building Authority	<u>2,535</u>
Total assets	<u>\$ 1,099,109</u>
Liabilities	
Accrued and other liabilities	\$ 126,289
Due to 35th District Courthouse Authority - Excess operating revenue on behalf of:	151,254
City of Plymouth	57,715
Plymouth Township	122,574
City of Northville	66,721
Northville Township	192,925
Canton Township	29,743
Restitution payable	2,011
Compensated absences due within one year	127,345
Compensated absences due in more than one year	<u>222,532</u>
Total liabilities	<u>\$ 1,099,109</u>

State of Michigan 35th Judicial District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2004

	General Fund - Modified and Full Accrual Basis
Revenue	
Fines and fees collected from within:	
City of Plymouth	\$ 241,796
Plymouth Township	557,822
City of Northville	244,882
Northville Township	718,187
Canton Township	1,773,630
Total fines and fees revenue	3,536,317
Probation, interest, and other revenue	1,225,169
Total revenue	4,761,486
Expenditures	
Court expenditures:	
Shared expenditures:	
Salaries and wages	1,869,746
Employee benefits	907,940
Contractual services	131,520
Occupancy - 35th District Courthouse Authority	207,813
Occupancy - 35th District Building Authority	574,608
Insurance	35,401
Printing, postage, and office supplies	83,404
Equipment services, leases, and maintenance	57,886
Travel, education, and training	33,638
Other expenditures	55,412
Total shared expenditures	3,957,368
Jail fees	123,713
Jury and witness fees	7,325
Total Court expenditures	131,038
Distributions to local units (Note 5):	
Advance payments made during the calendar year	142,000
Payments made subsequent to year end	531,080
Total distributions to local units	673,080
Total expenditures	4,761,486
Excess of Revenue Over Expenditures	-
Fund Balance/Net Assets - Beginning of year	-
Fund Balance/Net Assets - End of year	\$ -

The Notes to Financial Statements are an
Integral Part of this Statement.

State of Michigan 35th Judicial District Court

Fiduciary Funds Statement of Net Assets December 31, 2004

	Agency Funds	
	Depository	Bond
Assets		
Cash and cash equivalents (Note 2)	\$ 121,229	\$ 125,770
Due from Bond Fund	<u>1,027</u>	<u>-</u>
Total assets	<u>\$ 122,256</u>	<u>\$ 125,770</u>
Liabilities		
Civil trust bond payable	\$ 1,101	\$ -
Due to Depository Fund	-	1,027
Appearance bonds payable	-	124,743
Due to State of Michigan	107,957	-
Due to Wayne County Treasurer	<u>13,198</u>	<u>-</u>
Total liabilities	<u>\$ 122,256</u>	<u>\$ 125,770</u>

State of Michigan 35th Judicial District Court

**Notes to Financial Statements
December 31, 2004**

Note I - Summary of Significant Accounting Policies

The State of Michigan 35th Judicial District Court (the "Court") serves the Cities of Northville and Plymouth and the Charter Townships of Canton, Plymouth, and Northville, which are members of the Court. The Court oversees and processes items relating to traffic violations, criminal and civil infractions, and small claim filings. It also provides probation oversight and related services.

The accounting policies of the State of Michigan 35th Judicial District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. One of the significant changes in the statement includes the financial statements being prepared using full-accrual accounting for the Court as a whole. This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

Reporting Entity

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements. Because of the nature of the Court's operations, there are no differences between the methods. Nonetheless, the methods are described below for general information.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There are no adjustments necessary to convert the 35th Judicial District Court to the full accrual basis of accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Court.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from the Court's share of fines and costs associated with the traffic and criminal divisions, filing fees assessed for civil and small claim filings, and probationary fees. In addition, the General Fund includes the restitution payable account, which receives and holds monies that are subsequently applied as reimbursements to plaintiffs for damaged property.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following Agency Funds:

Depository Fund - This fund receives the Court's and the State of Michigan's share of fines and costs associated with the traffic and criminal divisions and filing fees assessed for civil and small claim filings. The Court's share is transferred out to the General Fund, and the State of Michigan's share is disbursed to the State. In addition, the fund includes the civil trust payable account, which receives and holds monies that are in dispute under a civil filing until the matter is settled. The funds are then remitted to the plaintiff or back to the defendant, as appropriate.

Appearance Bond Fund - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Court's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in both the modified, in order to charge the communities as it is incurred, and full accrual financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The Court's deposits and investment policies are in accordance with statutory authority.

	Governmental		
	Activities	Fiduciary Funds	Total
Deposits	\$ 1,093,974	\$ 246,999	\$ 1,340,973
Petty cash/Cash drawers	2,600	-	2,600
Total	<u>\$ 1,096,574</u>	<u>\$ 246,999</u>	<u>\$ 1,343,573</u>

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 2 - Cash and Cash Equivalents (Continued)

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,375,196. Of that amount, approximately \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Court evaluates each financial institution with which it deposits Court funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Budget Information

The annual budget is prepared by the Judges of the Court and the Court administrator and adopted by the board of directors of the 35th District Courthouse Authority (the "DCA"); subsequent amendments are approved by the DCA board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an object (line item) basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA board is included in the required supplemental information. This comparison includes expenditure budget overruns.

Note 4 - Lease Agreement

The cities of Plymouth and Northville and the Charter Townships of Plymouth, Northville, and Canton (District Control Units), which are members of the 35th Judicial District Court, are also members of the DCA. The DCA was established in 1989 upon approval of an Interlocal Agreement by and among the District Control Units pursuant to the provisions of the Urban Cooperation Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The purpose of the DCA is, among other items, to establish a joint entity to lease, acquire, own, operate, and dispose of the Courthouse for the mutual use and benefit of the District Control Units.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 4 - Lease Agreement (Continued)

The Court leased the Courthouse from the 35th District Courthouse Authority until a fire occurred on July 2, 1997. Although the Courthouse was completely destroyed, this lease will continue to be paid through the expiration of the lease in 2006. The Court will lease the new Courthouse from the 35th Judicial Building Authority for the amount of the bond payments through 2018. Additionally, the Court will lease computer equipment through 2007.

The following is a schedule of future minimum lease payments under the Court's operating leases:

2005	\$ 468,059
2006	511,043
2007	356,120
2008	345,175
2009	336,475
2010-2014	1,908,312
2015-2018	<u>1,492,999</u>
Total	<u>\$ 5,418,183</u>

Total rent expense for the year ended December 31, 2004 amounted to \$467,569.

Note 5 - Allocation to Local Units

The 35th Judicial District Court Judges and Board of Directors of the District Courthouse Authority have instructed that the expenses of the Court be divided among the five District Control Units in proportion to the volume of cases, including civil, attributable to each District Control Unit. The caseload figures are derived from the Venue Report obtained from the Judicial Information System program. Jail fees and jury and witness fees are to be allocated to each District Control Unit on a specific identification basis. Fines and fees collected from within the local units are distributable to the local units net of their allocation of the Court's expenditures.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 6 - Postemployment Benefits

The Court provides health care and optical benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, eight retirees are eligible. The Court includes pre-Medicare retirees and their spouses, if eligible, in its insured health care plan, with no contribution required by the participant. The Court purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$67,000.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 7 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Defined Contribution Retirement Plan

The Court provides pension benefits for certain salaried and clerical employees, other than its security officers who are retired police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. New employees are ineligible to join the plan and must join the defined benefit plan.

The defined contribution retirement plan and an agreement between the 35th Judicial District Court and the Michigan Association of Public Employees require the Court to make monthly mandatory contributions totaling 13.5 percent of employees’ paid wages as reflected on January 1 of each year.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 8 - Defined Contribution Retirement Plan (Continued)

Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years.

In accordance with these requirements, the Court contributed approximately \$114,000 during the year. No employees elected to make contributions during the year. Full vesting takes place after three years of employment for all employer contributions and related account earnings.

Note 9 - Defined Benefit Pension Plan

Plan Description - During the year ended December 31, 2003, the Court began participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all new employees of the Court as well as those converting from the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System (the "System") issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute and maintain the System for these employees was established by negotiation with the Court's competitive bargaining units. This agreement requires a contribution from the employees of any actuarially required contributions in excess of 13.5 percent.

Annual Pension Cost - For the year ended December 31, 2004, the Court's annual pension cost of \$86,125 for the plan was equal to the Court's required actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage attributable to seniority/merit, and (c) postretirement benefit increases of 2.5 percent annually. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a normal basis. The remaining amortization period is 30 years.

State of Michigan 35th Judicial District Court

Notes to the Financial Statements December 31, 2004

Note 9 - Defined Benefit Pension Plan (Continued)

	Fiscal Year Ended December 31, 2004	Fiscal Year Ended December 31, 2003
Annual pension cost (APC)	\$ 86,125	\$ 14,181
Percentage of APC contributed	100%	100%
Net pension obligation	-	-
		Actuarial Valuation December 31, 2003
Actuarial value of assets		\$ 1,634,708
Actuarial accrued liability (AAL)		2,109,254
Unfunded AAL (UAAL)		474,546
Funded ratio		78%
Covered payroll		687,020
UAAL as a percentage of covered payroll		69%

Required Supplemental Information

State of Michigan 35th Judicial District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Fines and fees	\$ 3,500,000	\$ 3,500,000	\$ 3,536,317	\$ 36,317
Probation, interest, and other	1,007,172	1,007,172	1,225,169	217,997
Total revenue	4,507,172	4,507,172	4,761,486	254,314
General Expenditures				
Salaries and wages:				
Judicial and staff	489,929	538,225	516,891	21,334
Administrative	525,864	475,768	445,595	30,173
Clerical	584,374	593,374	592,224	1,150
Probation	295,249	295,249	315,035	(19,786)
Total salaries and wages	1,895,416	1,902,616	1,869,745	32,871
Employee benefits	933,668	928,668	907,940	20,728
Contractual services	114,134	122,384	131,520	(9,136)
Insurance	20,000	30,000	35,401	(5,401)
Computer services	32,000	31,750	29,571	2,179
Printed forms	20,000	20,000	21,602	(1,602)
Postage	20,000	25,000	22,073	2,927
General office supplies	27,000	31,500	39,729	(8,229)
Equipment leases	19,000	19,000	21,527	(2,527)
Equipment maintenance	17,000	12,000	6,788	5,212
Travel	2,700	5,500	5,150	350
Education and training	27,900	28,900	28,488	412
Jail, jury, and witness fees	205,900	150,000	131,038	18,962
Other supplies and expenses	31,700	41,500	55,412	(13,912)
Total general expenditures	1,471,002	1,446,202	1,436,239	9,963
Occupancy				
Building rent	451,232	451,232	453,299	(2,067)
Utilities	92,000	96,000	106,138	(10,138)
Insurance	34,000	34,000	37,051	(3,051)
Building maintenance	90,100	97,500	104,450	(6,950)
Capital outlay	90,000	96,200	81,484	14,716
Total occupancy	757,332	774,932	782,422	(7,490)
Distributions to Local Units	383,422	383,422	673,080	(289,658)
Total expenditures	4,507,172	4,507,172	4,761,486	(254,314)
Excess of Revenue Over Expenditures	\$ -	\$ -	\$ -	\$ -

Other Supplemental Information

State of Michigan 35th Judicial District Court

Schedule of General Fund Operating Revenue Received and Allocation of Expenditures to Local Units Year Ended December 31, 2004

	Fines and Fees Revenue	Allocated Shared Expenditures - Net of Probation, Interest, and Other Revenue	Jail, Jury, and Witness Fees Expenditures*	Distributions to Local Units**	Net Amount Held on Behalf of Local Units
Gross revenue/expenditures	\$ 4,761,486	\$ 3,957,368	\$ 131,038	\$ 673,080	\$ -
Less probation, interest, and other revenue	<u>1,225,169</u>	<u>1,225,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,536,317</u>	<u>\$ 2,732,199</u>	<u>\$ 131,038</u>	<u>\$ 673,080</u>	<u>\$ -</u>
Allocation by local units:					
City of Plymouth	\$ 241,796	\$ 154,607	\$ 9,474	\$ 20,000	\$ 57,715
Plymouth Township	557,822	365,442	19,806	50,000	122,574
City of Northville	244,882	159,497	3,664	15,000	66,721
Northville Township	718,187	449,090	19,172	57,000	192,925
Canton Township	<u>1,773,630</u>	<u>1,603,563</u>	<u>78,922</u>	<u>61,402</u>	<u>29,743</u>
Total	<u>\$ 3,536,317</u>	<u>\$ 2,732,199</u>	<u>\$ 131,038</u>	<u>\$ 203,402</u>	<u>\$ 469,678</u>

Net operating expenditures of the Court are allocated to the local units of government supporting the Court on the basis of case-load distribution set forth as follows:

Local Units	Number of Cases Attributable	Percent of Total	Net Operating Expenditures Allocations
City of Plymouth	\$ 2,340	5.66	\$ 154,607
Plymouth Township	5,531	13.38	365,442
City of Northville	2,414	5.84	159,497
Northville Township	6,797	16.44	449,090
Canton Township	<u>24,270</u>	<u>58.68</u>	<u>1,603,563</u>
Total	<u>41,352</u>	<u>100.00</u>	<u>\$ 2,732,199</u>

* Jail, jury, and witness fees were allocated on a specific identification basis.

** The distribution to Canton Township represents an allocation of prior years overpayment.

April 22, 2005

Honorable John E. MacDonald
Honorable Ronald W. Lowe
Honorable Michael J. Gerou
35th Judicial District Court
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

We have recently completed our audit of the financial statements of the 35th Judicial District Court for the year ended December 31, 2004. In connection with our audit, we offer the following comments and recommendations to assist you in your financial management of the Court.

REPORTABLE CONDITION

In planning and performing our audit of the financial statements of 35TH Judicial District Court and the 35th District Courthouse Authority for the year ended December 31, 2004, we considered the internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the municipality's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control related matters been more extensive, other matters may have been noted.

- Currently, a number of employees have access to signature stamps with the Judge's signatures in their possession. With the access to the signature stamps, it is possible to write a check and use the signature stamps instead of obtaining proper signatures from the individuals. We recommend the Court implement a policy on its signature stamps, including having them locked up with limited access by individuals.
- During the current year, the Court was without a Court Administrator for the latter part of the year. The controller also assumed the role of the interim Court Administrator position until a permanent Court Administrator was hired. This led to a compromise of certain segregation of duties, including the approval of vacation time and the review of bank reconciliations by a third party. In times of interim positions, the Judges should select an overseeing body to maintain a strong system of internal control.

- Currently, the controller submits the payroll, issues the checks prepared by the payroll processor, and records the activity in the general ledger. During the latter part of the fiscal year, there was no oversight by another individual regarding payroll. We recommend that the Court Administrator, or another assigned individual, review the payroll registers to improve controls in this area.

PAYROLL FILE MAINTENANCE

- We noted the Court obtains direct deposit authorization forms for the individuals selected who utilize the system. However, these forms were not included within the personnel file and took some time to locate. We recommend all payroll related forms be maintained in a central location, preferably in the employees personnel file, to avoid any confusion or potential misplacement of the records.
- While testing procedures related to sick and vacation time being utilized by employees, it was noted that one employee did not have an authorization slip completed for the vacation time taken. The individual is a court officer, and as such, is an employee of the judges who approves their vacation time although authorization forms are not always completed. We recommend that all employees complete the vacation authorization forms with the appropriate supervisor's signature to maintain consistency throughout the Court.

BUDGET AMENDMENTS

We are pleased to see that the Court again amended the budget during the current year. However, there were a few variances between amounts budgeted and final actual expenditures. As the budget process is an estimation of the Court's revenues and expenditures, actual results vary based on the events that occur during the year. We recommend the Court continue to monitor expenditures closely and continue to amend these budgets to maintain compliance with State budget regulations.

OTHER ACCOUNTING ISSUES

- As mentioned in previous years, during the construction of the Courthouse, a capital projects fund was created to account for the development of the building. Now that the construction is complete, we recommend that this fund be closed and cash remaining within the fund be transferred in a manner that the board deems appropriate.
- A number of checks written in January 2005 relating to December 2004 activity were actually dated in December 2004. These expenditures were recorded in the appropriate fiscal year. The Court should ensure all checks are dated the day they are issued and not post dated.
- Currently, there is an unreconciled difference between the detailed bond payable listing and the amount recorded on the general ledger. The Court should be reconciling to the bond payable listing on a monthly basis and adjusting the general ledger when necessary.

April 22, 2005

- Currently there is an unreconciled difference between the balance per the bank statement and balance recorded on the general ledger as of December 31, 2004. We recommend the Court look into what the difference represents and make the appropriate adjustments to the general ledger.

COMPUTER SECURITY REVIEW

As organizations have become more reliant on computer technology to deliver core business processes, it is increasingly apparent that attention needs to be given to the security of our computer systems. While the private sector has been forced to devote significant resources to this area for a couple of years now, organizations in the public sector are beginning to see the need for similar attention. Items for consideration include the ability of employees to access or manipulate data or programs inappropriately, firewalls for Internet access points, and physical security/disaster recovery plans.

An organization's data assets are such that their loss or impaired usage can have devastating consequences. As a result, we strongly recommend that you assess your information systems and network environments and develop strategies to ensure that risks associated with down time, hacker intrusions and virus attacks are minimized in a secured environment. We believe it is prudent to assess your risk and implement security improvements to avoid the negative implications.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.

This report is intended solely for the information and use of the judges, board of directors, management, others within the organization and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

PLANTE & MORAN, LLP



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